

## Message Text

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TAGS: MASS PFOR SZ

SUBJ: F-5E SALE AND SWISS -US MEMORANDUM OF UNDERSTANDING

REF: BERN 2017

1. AN EDITORIAL IN THE SATURDAY-SUNDAY EDITION OF THE JOURNAL DE GENEVE, COMMENTS AT SOME LENGTH ON THE FAILURE OF BROWN BOVERI TO RECEIVE THE ERDA CONTRACT FOR THE CLINCH RIVER BREEDER REACTOR PROJECT. UNDER THE HEADLINE "TIGER AND COMPENSATION - JUDGEMENT OVER TIME," THE TRIBUNE'S EDITORIAL WRITER SAYS (UNOFFICIAL EMBASSY TRANSLATION):

2. THE SWISS-AMERICAN INDUSTRIAL COMPENSATION AGREEMENT, CONCLUDED AS A PART OF THE PURCHASE BY OUR COUNTRY OF THE TIGER AIRCRAFT AND SIGNED BY MR. SCHLESINGER, THEN SECRETARY OF DEFENSE, AND MR. GNAEGI, HEAD OF THE FEDERAL MILITARY DEPARTMENT, HAS BEGUN WITH A QUOTE CAOUAC UNQUOTE (LITERALLY, SQUAWK).

THE CHOICE OF THE AMERICAN AGENCY HAS GIVEN RISE TO A MIXTURE OF DISAPPOINTMENT AND IRRITATION IN SWITZERLAND, WHERE THE COMPENSATION AGREEMENT, EVEN WHEN IT WAS SIGNED, WAS GREETED WITH SKEPTICISM. SOME POINTED TO THE PROBLEMS INHERENT IN SUCH AN ARRANGEMENT. OTHERS DOUBTED THAT THE AMERICANS REALLY MEANT TO CARRY OUT THEIR AGREEMENT. THE CASE OF BELGIUM, WHICH HAD OBTAINED ASSURANCES AS

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A RESULT OF ITS DECISION TO BUY THE XF 16 ABOUT

ORDERS FOR BELGIAN RIFLES, ASSURANCES WHICH WERE LATER PROVEN TO BE VALUELESS OR NEARLY SO, REINFORCED THAT SKEPTICISM.

FORMALLY, THE AGREEMENT ON COMPENSATION IS AN AGREEMENT BY THE UNITED STATES TO MAKE PURCHASES IN COMPENSATION FOR THE SWISS PURCHASE OF THE TIGER. AS A PRACTICAL MATTER THE PENTAGON AGREED THAT NORTHROP AND GENERAL ELECTRIC WILL PASS ON ORDERS TO SWISS INDUSTRY FOR ABOUT \$400 MILLION OVER THE NEXT EIGHT YEARS. THESE ORDERS WILL BE FREE OF DUTY AND, IN PRINCIPAL, FROM THE PROVISIONS OF THE BUY AMERICA ACT... FURTHERMORE THE PENTAGON AGREED TO MAKE PURCHASES ITSELF, OR FIND OTHER BUYERS, ASSUMING SWISS PRODUCTS WERE COMPETITIVE.

IN SWITZERLAND, BERN DELEGATED THE TASK OF FINDING SUITABLE SUPPLIERS TO THE PRIVATE SECTOR. A LIST WAS SENT TO THE UNITED STATES, ONE WHICH INCLUDED CURRENT TRANSACTIONS AND NEW ONES. THE BROWN BOVERI BID IS IN THIS CATEGORY AND SHOULD HAVE, ACCORDING TO SWITZERLAND, BENEFITED FROM THE PROVISIONS OF THE AGREEMENT.

BUT THE AMERICANS REPLY THAT OTHER FEDERAL AGENCIES ARE NOT BOUND BY THE AGREEMENTS OF THE DEFENSE MINISTRY. AND THIS IS THE CLASSIC US ARGUMENT, WHICH ILLUSTRATES SO WELL THE DIVISIONS AMONG DIFFERENT DEPARTMENTS. EXAMPLES EXIST WHICH DEMONSTRATE THE FRAGILITY OF AGREEMENTS SIGNED BY AMERICAN NEGOTIATORS - ESPECIALLY WHEN UNDER PRESSURE - WHO HAVE NEGLECTED CLEARANCE WITH OTHER DEPARTMENTS...

SEVERAL ELEMENTS SHOULD BE UNDERLINED IN THIS AFFAIR. BROWN BOVERI - WHICH HAS TAKEN ITS DEFEAT WITH A PHILOSOPHICAL VIEW ACQUIRED OVER MANY YEARS IN A FIELD WHERE COMPETITORS OFTEN EXCHANGE BLOWS - IS AN OLD RIVAL OF GE AND HAS ALREADY HAD TO MEET MANY AMERICAN ATTACKS, SUCH AS THE ALLEGATIONS OF DUMPING THREE YEARS AGO. ONE SHOULD NOTE, IN THAT CASE, THE AMERICAN COMPANY WAS TO A CERTAIN EXTENT JUDGE AND INTERESTED PARTY. FURTHERMORE, IT IS A FACT THAT THE PROSPECTIVE ELECTIONS IN THE UNITED STATES DO NOT CREATE THE SORT OF CLIMATE CONDUCTIVE

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TO GRANTING LARGE ORDERS TO SWISS OR OTHER FOREIGN ENTERPRISES.

BUT FINALLY, ONE SHOULD NOT NOT MAKE THIS AFFAIR INTO A TRAGEDY, OR BURY THE WHOLE COMPENSATION AGREEMENT. ONE SHOULD JUDGE THE AGREEMENT OVER ITS DURATION AND REMEMBER IT BRINGS PARTNERS FACE TO FACE WHO ARE NOT ACCUSTOMED TO MAKING GIFTS AND WHO HAVE THE MEANS TO DEFEND THEMSELVES.

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